

ISCC to enter into a relationship with entities such as INDEVAL, the Mexican securities clearing and depository company. However, ISCC will still be required to file a proposed rule change pursuant to Section 19(b) of the Act before entering into a clearing, settlement, or custody service relationship with any entity.

(b) The proposed change will facilitate the prompt and accurate clearance and settlement of securities transactions, and therefore, the proposed rule change is consistent with the requirements of the Act, specifically Section 17A of the Act, and the rules and regulations thereunder.

(B) Self-Regulatory Organization's Statement on Burden on Competition

ISCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments have been solicited or received. ISCC will notify the Commission of any written comments received by ISCC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for the Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(4) thereunder in that the proposal effects a change in an existing service that does not adversely affect the safeguarding of securities or funds and does not significantly affect the respective rights of the clearing agency or persons using the service. At any time within sixty days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the

Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street NW., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number SR-ISCC-95-01 and should be submitted by March 9, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.²

Margaret H. McFarland,

Deputy Secretary.

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[Rel. No. IC-20895; File No. 812-9244]

First SunAmerica Life Insurance Company, et al.; Notice of Application

February 10, 1995.

AGENCY: Securities and Exchange Commission ("SEC" or "Commission")

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the "Act" or "1940 Act").

APPLICANTS: First SunAmerica Life Insurance Company ("First SunAmerica"), FS Variable Separate Account ("Separate Account"), and SunAmerica Capital Services, Inc.

RELEVANT ACT SECTIONS: Order requested under Section 6(c) for exemptions from Sections 26(a)(2) and 27(c)(2).

SUMMARY OF APPLICATION: Applicants request exemptions from Sections 26(a)(2) and 27(c)(2) of the Act to the extent necessary to allow first SunAmerica to deduct from the Separate Account the mortality and expense risk charges and the distribution expense charge imposed under the individual flexible payment deferred annuity contracts ("Contracts") to be funded in the Separate Account.

FILING DATE: The application was filed on September 16, 1994 and amended on February 3, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a

hearing by writing to the SEC's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on March 7, 1995, and should be accompanied by proof of service on Applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street NW., Washington, D.C. 20549. Applicants, c/o Routier, Mackey and Johnson, P.C., 1700 K Street NW., Suite 1003, Washington, D.C. 20006.

FOR FURTHER INFORMATION CONTACT: Edward P. Macdonald, Staff Attorney, or Wendy Friedlander, Deputy Chief, at (202) 942-0670, Office of Insurance Products, Division of Investment Management.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. First SunAmerica is a stock life insurance company organized under the laws of the State of New York and is admitted to conduct a life insurance and annuity business in that state. SunAmerica Capital Services, Inc., the distributor for the Contracts, is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc.

2. The Separate Account was established by First SunAmerica to fund variable annuity contracts. The Contracts that are the subject of the application provide for accumulation of contract values and payment of annuity benefits on a fixed and variable basis. The Contracts will be initially funded through eighteen portfolios of the Separate Account; each portfolio will invest its assets in the shares of one of four available series of the Anchor Series Trust or one of fourteen available series of the SunAmerica Series Trust. Both the Anchor Series Trust and the SunAmerica Series Trust are registered under the 1940 Act as diversified, open-end, management investment companies and the securities they issue are registered under the Securities Act of 1933 (the "1933 Act"). Additional underlying funds may become available in the future. Prior to the issuance of any Contracts, the Separate Account

² 17 CFR 200.30-3(a)(12) (1994).

will be registered under the 1940 Act as a Unit Investment Trust and the Contracts thereunder will be registered under the 1933 Act.

3. The Separate Account and each of its portfolios is administered and accounted for as part of the general business of First SunAmerica, but the income, gains or losses of each portfolio are credited to or charged against the assets held in that portfolio in accordance with the terms of the Contracts, without regard to other income, gains or losses of any other portfolio or arising out of any other business First SunAmerica may conduct.

4. The Contracts are available for both retirement plans which do and do not qualify for the special federal tax advantages available under the Internal Revenue Code. Purchase payments under the Contracts may be made to the general account of First SunAmerica under one of the Contracts' fixed account options (the "Fixed Account"), the Separate Account, or allocated between them. The minimum initial purchase payment for a Contract issued on a non-qualified basis is \$5,000 and additional purchase payments may be made in amounts of at least \$500. The minimum initial purchase payment for a Contract issued on a qualified basis is \$2,000, additional purchase payments may be made in amounts of at least \$250.

5. If the contract owner dies during the accumulation period, a death benefit will be payable to the beneficiary upon receipt by First SunAmerica of due proof of death.

The standard death benefit is equal to the greater of:

(1) The contract value at the end of the valuation period during which due proof of death (and an election of the type of payment to the beneficiary) is received by First SunAmerica; or

(2) The total dollar amount of purchase payments, minus the sum of:

(a) The total dollar amount of any partial withdrawals and partial annuitizations; and

(b) Premium taxes incurred.

In addition, where permitted by state law, First SunAmerica will provide an enhanced death benefit after the seventh contract year. The enhanced death benefit is: (A) The greater of (1) the contract value at the end of the preceding contract year, plus purchase payments during the current contract year, or (2) the death benefit on the last day of the preceding contract year, minus (B) the total amount of withdrawals and partial annuitizations during the current contract year plus premium taxes incurred.

6. During the accumulation period, amounts allocated to the Separate Account may be transferred among the portfolios and/or the Fixed Account. The first fifteen transactions effecting such transfers in any contract year are permitted without the imposition of a transfer fee. A transfer fee of \$25 is assessed on the sixteenth and each subsequent transfer within the contract year. This fee will be deducted from contract values which remain in the portfolio (or the Fixed Account) from which the transfer was made. If such remaining contract value is insufficient to pay the transfer fee, then the fee will be deducted from transferred contract values. After the annuity date, contract values may be transferred from the Separate Account to the Fixed Account but not from the Fixed Account to the Separate Account. Applicants represent that the transfer fee is at cost with no anticipation of profit.

7. Although there is a "free withdrawal" amount, a contingent deferred sales charge, which is referred to as the withdrawal charge, may be imposed upon certain withdrawals. Withdrawal charges will vary in amount depending upon the contribution year of the purchase payment at the time of withdrawal in accordance with the withdrawal charge table shown below.

WITHDRAWAL CHARGE TABLE

Contribution year ¹	Applicable Withdrawal Charge percentage
Zero	7
First	6
Second	5
Third	4
Fourth	3
Fifth	2
Sixth	1
Seventh and later	0

The withdrawal charge is deducted from remaining contract values so that the actual reduction in contract value as a result of the withdrawal will be greater than the withdrawal amount requested and paid. For purposes of determining the withdrawal charge, withdrawals will be allocated first to investment income, if any (which generally may be withdrawn free of withdrawal charge), and then to purchase payments on a first-in, first-out basis so that all

¹ With respect to a given purchase payment, a Contribution Year is a calendar year starting from the date of the purchase payment in one calendar year and ending on the anniversary of such date in the succeeding calendar year. The Contribution Year in which a purchase payment is made is "Contribution Year Zero," and subsequent Contribution Years are successively numbered.

withdrawal are allocated to purchase payments to which the lowest (if any) withdrawal charge applies.

8. First SunAmerica deducts a distribution expense charge from each portfolio of the Separate Account during each valuation period which is equal, on an annual basis, to 0.15% of the net asset value of each portfolio. This charge is designed to compensate First SunAmerica for assuming the risk that the cost of distributing the Contracts will exceed the revenues from the withdrawal charge. In no event will this charge be increased.

The distribution expense charge is assessed during both the accumulation period and the annuity period; however, it is not applied to contract values allocated to the Fixed Account.

9. The annuity rates may not be changed under the Contract. For assuming the risks that (1) the life expectancy of an annuity will be greater than that assumed in the guaranteed annuity purchase rates, (2) for waiving the withdrawal charge in the event of the death of the contract owner, and (3) for providing both a standard and enhanced death benefit prior to the annuity date, First SunAmerica deducts a mortality risk charge from the Separate Account. The charge is deducted from each portfolio of the Separate Account during each valuation period at an annual rate of 1.02% of the net asset value of each portfolio. The portion of the total mortality risk charge attributable to First SunAmerica's assuming (1) and (2) and providing a standard death benefit is 0.9%; the balance of 0.12% is assessed for providing the enhanced death benefit. If the mortality risk charge is insufficient to cover the actual costs of assuming the mortality risks, First SunAmerica will bear the loss; however, if the charge proves more than sufficient, the excess will be a gain to First SunAmerica. To the extent First SunAmerica realizes any gain, those amounts may be used at its discretion, including offsetting losses experienced when the mortality risk charge is insufficient. The mortality risk charge may not be increased under the Contract.

10. A maintenance fee of \$30 is charged against each Contract. The maintenance fee will be assessed each contract year on the anniversary of the issue date of the Contract on or prior to the annuity date. In the event that a total surrender of contract value is made other than on such anniversary, the fee will be assessed as of the date of surrender without proration. This fee reimburses First SunAmerica for expenses incurred in establishing and maintaining records relating to the

Contracts. The amount of this fee is guaranteed and cannot be increased by First SunAmerica. The maintenance fee is at cost with no anticipation of profit.

11. First SunAmerica bears to risk that the maintenance fee will be insufficient to cover the cost of administering the Contracts. For assuming this expense risk, First SunAmerica deducts an expense risk charge from the Separate Account. The charge is deducted from each portfolio of the Separate Account during each valuation period at an annual rate of 0.35% of the net asset value of each portfolio. If the expense risk charge is insufficient to cover the actual cost of administering the Contracts, First SunAmerica will bear the loss; however, if the charge is more than sufficient, the excess will be a gain to First SunAmerica. To the extent First SunAmerica realizes any gain, those amounts may be used at its discretion, including offsetting losses when the expense risk charge is insufficient. The expense risk charge may not be increased under the Contract.

Applicants' Legal Analysis

1. Pursuant to Section 6(c) of the Act the Commission may, by order upon application, conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities or transactions, from any provision or provisions of the Act or from any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

2. Sections 26(a)(2)(C) and 27(c)(2) of the Act, in pertinent part, prohibit a registered unit investment trust and any depositor thereof or underwriter therefor from selling periodic payment plan certificates unless the proceeds of all payments (other than sales load) are deposited with a qualified bank as trustee or custodian and held under arrangements which prohibit any payment to the depositor or principal underwriter except a fee, not exceeding such reasonable amount as the Commission may prescribe, for performing bookkeeping and other administrative services of a character normally performed by the bank itself.

3. Applicants request an order under Section 6(c) of the Act exempting them from Sections 26(a)(2)(C) and 27(c)(2) of the Act to the extent necessary to permit the deduction of the mortality and expense risk charge and distribution expense charge from the assets of the Separate Account under Contracts.

4. Applicants assert that the mortality and expense risk charge of 1.25% (which includes all risk charges imposed under the Contracts with the exception of the 0.12% risk charge for the enhanced death benefit) is reasonable in relation to the risks assumed by First SunAmerica under the Contracts and reasonable in amount as determined by industry practice with respect to comparable annuity products. Applicants state that these determinations are based on their analysis of publicly available information about similar industry practices, and by taking into consideration such factors as current charge levels and benefits provided, the existence of expense charge guarantees and guaranteed annuity rates. First SunAmerica undertakes to maintain at its home office a memorandum, available to the Commission upon request, setting forth in detail the methodology used in making these determinations.

5. Applicants assert that the mortality risk charge of 0.12% for the enhanced death benefit is reasonable in relation to the risks assumed by First SunAmerica under the Contracts for the enhanced death benefit. First SunAmerica undertakes to maintain at its home office a memorandum, available to the Commission upon request, setting forth in detail the methodology used in determining that the risk charge of 0.12% for the enhanced death benefit is reasonable in relation to the risks assumed by First SunAmerica under the Contracts.

6. First SunAmerica has concluded that there is a reasonable likelihood that the Separate Account's distribution financing arrangement will benefit the Separate Account and its investors. First SunAmerica represents that it will maintain and make available to the Commission upon request a memorandum setting forth the basis of such conclusion. First SunAmerica further represents that the assets of the Separate Account will be invested only in management investment companies which undertake, in the event they should adopt a plan for financing distribution expenses pursuant to Rule 12b-1 under the 1940 Act, to have such plan formulated and approved by their board of directors, the majority of whom are not "interested persons" of the management investment company within the meaning of Section 2(a)(19) of the 1940 Act.

7. With respect to the distribution expense charge, Applicants represent that the amount of any withdrawal charge imposed when added to any distribution expense charge previously

paid, will not exceed 9% of purchase payments and that First SunAmerica will monitor each Contract owner's account for the purpose of ensuring that this limitation is not exceeded.

Conclusion

For the reasons summarized above, Applicants represent that the exemptive relief requested is necessary or appropriate in the public interest and otherwise meets the standards of Section 6(c) of the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary

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[Investment Company Act Release No. 20894; File No. 811-6228]

Putnam Texas Tax Exempt Income Fund; Application for Deregistration

February 10, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of application for deregistration under the Investment Company Act of 1940 (the "Act").

APPLICANT: Putnam Texas Tax Exempt Income Fund.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant seeks an order declaring that it has ceased to be an investment company.

FILING DATES: The application on Form N-8F was filed on December 9, 1994, and amended on February 9, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on March 8, 1995, and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street NW., Washington, DC 20549. Applicant, One Post Office Square, Boston, Massachusetts 02109.

FOR FURTHER INFORMATION CONTACT: